

**Northwestern Indiana Regional Development Authority
Application for Financial Support**

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Applicant's Legal Status: Municipality

Project Description

This is an amendment to a previously-approved grant. While delivering the same outcomes, the amendment reduces the amount of the RDA grant by \$238,000.

The City of Valparaiso is requesting a grant of \$1,862,000 from the Northwest Indiana Regional Development Authority to provide: (1) the local share of \$450,000 to match \$1,750,000 from NIRPC to purchase four over-the-road commuter coaches for the Express Bus Service to Chicago, and (2) \$1,412,000 to develop commuter parking facilities.

The service will provide increased job and income opportunities for area residents while fostering redevelopment of downtown Valparaiso. It will also reduce traffic congestion and improve air quality in Northwest Indiana and greater Chicago. The service could be a precursor of bringing a rail line to the City.

Background

In November 2007, the City received a \$2.1 million grant from the RDA via the Regional Bus Authority (RBA) for the purchase four new, 45 foot, 55 passenger, ADA compliant, over the road coaches. The coaches will be equipped with a wheelchair lift as well as a lavatory. Three vehicles will be used to provide service and one will be used as a spare.

Since the RDA's approval, the City has made considerable progress toward the initiation of commuter service. In February, 2008, the City of Valparaiso issued a Request for Proposals (RFP) for operation of the Chicago Express Bus Service. The Valparaiso Board of Works opened the bids on March 27, 2008. Five companies submitted bids, and the Board of Works awarded a contract to The Free Enterprise System on April 24, 2008. Service is anticipated to start in September, 2008.

NIRPC's Role

NIRPC has been a key partner in establishing the service.

- NIRPC has pledged financial support through its role as a Federally-designated recipient of grant funds.
- NIRPC staff is providing valuable guidance on the procurement and contracting process for the buses and the vendor.

In 2007, the City was awarded a \$1,348,600 CMAQ grant. The use of these funds was originally designated for the capital cost of the commuter lot and three years of operating costs. Additionally, a \$537,000 grant was awarded to the City from the Federal Transit Administration (FTA) Section 5307 funds, also to be used for land acquisition costs.

Because NIRPC is the federally-designated grant recipient of CMAQ and 5307 funds, and Valparaiso is a "sub-grantee", the real estate would have to be owned by NIRPC. At a meeting in early April, 2008, NIRPC staff stated that they preferred using Federal Section 5307 grants for the purchase of buses because of the federal requirements associated with ownership of real estate. NIRPC had not owned real estate before and was clearly uncomfortable with the prospect of the associated liabilities. The potential delays posed by federal real estate requirements could possibly affect the entire project.

NIRPC wishes to utilize FTA Section 5307 funding of \$1,750,000 (79.5% of the \$2.2 million) for the purchase of four buses and lease them to the City of Valparaiso. Local match for the federal funds would come from a portion of the RDA grant. This results in more federal monies being used for this project if NIRPC purchases the buses.

Proposed Revision

The City of Valparaiso is requesting both parties to exchange the use of awarded funds. Essentially, NIRPC funds would be used for procurement of the buses rather than real estate. Likewise, the RDA will switch its funds from procuring buses to development of commuter parking facilities. This revision would reduce RDA funding from \$2.1 million to \$1,862,000, and increase the federal funds being utilized.

The Chicago Express Bus Service is one segment of the planned Village Station Commuter Transit Center. The bus project includes a pathway to the commuter lot, amenities for the Transit Center, a local gateway, and will provide safety and convenience for our passengers. The origination point of the Chicago Express Bus Service will be located in this development and eventually the new commuter train service to Chicago. The acquisition and construction costs are estimated to be \$1,412,000.

The Express Bus Service will run during peak commute hours from a park and ride lot in downtown Valparaiso to downtown Chicago, a distance of approximately 53 miles. The new service will initially provide two morning and two afternoon, non-stop trips to the nation's third largest job market, with a third trip after the demand has increased. Travel time is approximately 1.2 hours each way from Valparaiso to the Chicago loop,

depending upon traffic conditions. This service will require three dedicated vehicles and one spare vehicle.

McDonald Transit Associates, Inc. conducted a feasibility study in early 2007 to determine the demand and costs for an express service to downtown Chicago (previously submitted as Attachment A). They found that commuters on the Express Bus Service would be attracted to the service based on two primary reasons: passengers would have one-seat, direct service to Chicago and the equipment used would be upscale. The study estimated that 70 commuters per day will ride the bus the first year; 85 in the second year; and 100 the third year. Total passenger trips are estimated to be 17,850 in 2008; 21,675 in 2009; and 25,500 in 2010.

The City of Valparaiso, in conjunction with Valparaiso University, conducted a survey of residents to determine their interest in express bus service to Chicago (previously submitted as Attachment B). In total, 875 residents responded to the survey. Almost half of the respondents (414 commuters) said that they commuted to Chicago at least several times per month, with 185 persons currently commuting to work. Of the 414 commuters, 86.5% said that they would be likely or somewhat likely to take the Express Bus Service to Chicago. Almost half (46.6%) said that they would take the bus at least once a week with 20.8% (67 persons) would take the bus daily. These results clearly show that there is a large demand for the service.

The vehicles will be 55-passenger, over-the-road coaches manufactured by Motor Coach Industries. Each coach is fully compliant with the Americans with Disabilities Act and is wheelchair lift equipped, with two wheelchair positions and the appropriate wheelchair tie down equipment. Each coach is equipped with a lavatory and has individual climate control features that include individual airflow control. The coaches have reclining seats, overhead storage racks, individual reading lamps, a under floor luggage compartment, tray tables, and three laptop outlets on each side of the coach. The buses will be wrapped with advertisements to help increase revenues and reduce fares.

The City will contract with a private bus operator to provide the Express Bus Service with the City providing the buses funded using NIRPC and RDA funds under this request. The City has received a total of \$3,098,599 in funds from the Federal Congestion Mitigation and Air Quality Improvement Program (CMAQ) and the Federal Transit Administration (FTA) Section 5307 funds for capital costs and operating costs to leverage the RDA funds. The two federal funding sources originally were available for capital costs for the construction of commuter parking spaces and parking lot operations and maintenance.

With the exchange of funds using Section 5307 funds for purchase of buses and CMAQ funds for operating, the sources of funds for operating for three years are as follows:

Operating Fund Sources

CMAQ	\$1,348,599
Fare box Revenues	942,480
Advertising and TIF Revenues	<u>225,900</u>
Total Operating Revenue	\$2,516,979

Table 2 (see attachment) shows the annual receipts of the individual fund sources.

As seen in *Table 3* (see attachment), these funds will be used for three years for the following expenses:

Variable Operating Costs	\$1,764,881
Fuel Adjustment	144,375
Marketing Costs	106,790
Fixed Operating Costs	290,933
Depreciation	<u>210,000</u>
Total Operating Costs	\$2,516,979

With the exchange by funding sources, NIRPC Section 5307 funds will be used for the purchase of the four buses, and the RDA will provide the local share:

Federal Section 5307	\$1,750,000
RDA	<u>450,000</u>
Total Cost of Buses	\$2,200,000

Table 4 (see attachment) summarizes the Sources and Uses of Funds during Years 1, 2, and 3.

As seen in *Table 5* (see attached), the total three year revenue and cost projects are based on the vendor providing their own buses for the first two years while the NIRPC/Valparaiso buses are being manufactured. The ridership is expected to grow from 70 passengers in Year 1 to 104 in Year 3. The discounted fare is estimated to be \$13 in the first year and \$14 in the second and third year. As a result, fare box revenues will increase from \$232,050 in Year 1 to \$371,280 in Year 3. Advertising revenues will also increase from \$30,960 in Year 1 to \$142,020, with the revenues split 50/50 between the vendor and the City. The federal operating assistance from CMAQ will be \$449,533 a year.

On the expense side, the fuel adjustment is estimated to be \$48,125 per year. Marketing costs will decrease from \$50,000 to \$26,790 as the service is established. Fixed

operating costs will increase from \$93,200 in the first year to \$100,000 in the third year. Conversely, variable operating costs will increase in Years 1 and 2 with vendor- provided buses, but will drop in Year 3 when the NIRPC/City owned buses are used. Finally, the NIRPC/City owned buses will begin depreciation in Year 3.

In summary, revenues will exceed costs in Year 1 (+\$55,568), but will experience a net loss in Year 2 (-\$52,887), and less in Year 3 (-\$2,681). In the three years, revenues will equal costs. RDA funds will only be used for capital. No operating expenses will be subsidized with RDA funds.

Economic Impact Statement

As McDonald Transit Associates stated in their study, public transportation contributes to economic strength in two fundamental ways:

1. Direct dollar investment throughout the economy and
2. Improved transportation operations, which create economic benefits for individuals, households, businesses, and governments.

In addition to the direct and indirect benefits of transit investments, there is another benefit for Valparaiso and the region. Many people in the region choose to live in this area because of its excellent quality of life. Providing a commuter link to Chicago will enhance the ability of the Valparaiso to attract workers from around the region. This should increase activity of the overall economy and spur new residential development in a market that is much more affordable than closer in communities. Giving people the realistic option of living in Valparaiso and working in Chicago should enhance the kind of growth the City desires.

According to a report from the American Public Transportation Association and the Public Transportation Partnership for Tomorrow entitled "The Benefits of Public Transportation Essential Support for a Strong Economy": Dollars invested in public transportation flow through all sectors of the economy ... Through increased jobs, income, profit, and tax revenue, they provide an economic stimulus far exceeding the original investment – as much as six dollars for every dollar invested."

In addition to directly stimulating the economy, investment in public transportation enhances mobility for businesses and households, thereby:

1. Protecting personal freedom, choice, and mobility
2. Enhancing access to opportunity
3. Enhancing economic prosperity
4. Protecting our communities and the natural environment

According to 2005 income tax returns, 6,576 workers commuted daily from Porter County (including Valparaiso) to Illinois-Chicagoland to high paying jobs. The economic impact from these jobs will accomplish the goals described by McDonald

Transit, the American Public Transportation Association and the Public Transportation Partnership for Tomorrow as sited above.

The Express Bus Service will depart from downtown Valparaiso in an area undergoing revitalization. The redevelopment will extend the downtown area to the southwest through infrastructure improvements such as sidewalks and lighting. A local developer is working with the City to develop an 11-acre Transit Center as part of a proposed 73-acre mixed use, Transit Oriented Development (TOD) at the southwest corner of downtown. The development will include a brick bus station possibly with a coffee shop and small retail space. A 150-space parking lot will be available for the Express Bus commuters in the short term, and the City will be constructing a parking lot for the Transit Center utilizing Federal Congestion Mitigation Air Quality funds for Express Bus commuters. The parking facility will also be a focal point of the City's new local bus service with the two routes converging at the facility. In the future the Transit Center will be the site of the train station for the Valparaiso extension of the West Lake Corridor transit line to Lake County and Chicago.

Quality of Life

The Express Bus Service will enhance the quality of life in Northwest Indiana by providing convenient, non-stop bus service from downtown Valparaiso to downtown Chicago. The 2004 Indicators Study by the Quality of Life Council rated Northwest Indiana a "D disappointing" for An Accessible Community" for transportation. The Study analyzed public transportation and found: "This is not to say that commuters prefer driving to all other commuting options. Lack of availability and lack of reliability also play a role. In fact, an extensive study conducted under the auspices of the Northwestern Indiana Planning Commission in 1999 determined that a significant portion of need for transportation services is not being met. Overall, only 23.3% of the region's need for public transportation is being met." The supporting table showed that 97.6% of the needs in Porter County were unmet.

The proposed transit project is a cost-effective, congestion mitigation activity that will improve air quality and reduce urban and local congestion in this non-attainment area. The project will provide parking for the estimated 70-100 passengers per day who will be riding the bus rather than driving their cars to Chicago. According to the Northwestern Indiana Regional Planning Commission (NIRPC), the Express Bus will reduce emissions by 22,544 pounds per year (equivalent to 10,226 kg/year). NIRPC's air quality calculations and request to the Federal Transportation Administration was previously submitted as Attachment D.

Line item budget for the project

The City of Valparaiso is requesting a grant of \$1,862,000 to provide: (1) the local share of \$450,000 to match \$1,750,000 from NIRPC to purchase four over-the-road commuter coaches for the Express Bus Service to Chicago, and (2) \$1,412,000 to develop commuter parking facilities.

The City estimates the acquisition and construction cost of the commuter parking lot to be \$1,412,000:

1.	Purchase of Parking Lot (approximately 110 parking spaces)	\$671,000
2.	Pathway and Streetscape (linking TOD with downtown Valparaiso)	617,900
3.	Focal Gateway to Village Station	50,000
4.	Lighting	54,000
5.	Security Cameras (recorded on a 24 hr loop) Digital recorders (4 cameras and VCR @\$1,350 = 5,400)	5,400
6.	WiFi Transmitter	3,700
7.	Furniture and Fixtures	<u>10,000</u>
Total for Transit Center		\$1,412,000
Local Match for Four Buses		450,000
Total Request to RDA		\$1,862,000

The revised request to the RDA is \$238,000, or about 10% less than the approved amount from the RDA.

In summary, the RDA grant is expected to leverage:

Federal Hwy. Admin. Congestion Mitigation and Air Quality Improvement Program	\$1,348,599
Federal Transportation Section 5307 Funds	1,750,000
Valparaiso Redevelopment Commission TIF/Advertising	225,900
Fare box Revenues (3 years)	<u>942,480</u>
Total Leveraged funds	\$4,266,979
RDA Grant	\$1,862,000
Total Project Cost	\$6,128,979

Project Timeline

Assuming that the Regional Development Authority approves the City's request in June, 2008, the Express Bus Service can begin in September, 2008. The service contract for the operation of the buses was awarded by the City of Valparaiso in May, 2008. Service will begin in September with the vendor providing its own buses. The manufacturing of the buses will begin in October, 2008, with an estimated 12 to 18 months to receive the buses. The vendor will then utilize the NIRPC/Valparaiso buses.

We ask that you approve this funding alteration. It will not affect the scope of the project, but will allow for rapid start-up of the service, while reducing costs to the RDA.